



Early Journal Content on JSTOR, Free to Anyone in the World

This article is one of nearly 500,000 scholarly works digitized and made freely available to everyone in the world by JSTOR.

Known as the Early Journal Content, this set of works include research articles, news, letters, and other writings published in more than 200 of the oldest leading academic journals. The works date from the mid-seventeenth to the early twentieth centuries.

We encourage people to read and share the Early Journal Content openly and to tell others that this resource exists. People may post this content online or redistribute in any way for non-commercial purposes.

Read more about Early Journal Content at <http://about.jstor.org/participate-jstor/individuals/early-journal-content>.

JSTOR is a digital library of academic journals, books, and primary source objects. JSTOR helps people discover, use, and build upon a wide range of content through a powerful research and teaching platform, and preserves this content for future generations. JSTOR is part of ITHAKA, a not-for-profit organization that also includes Ithaka S+R and Portico. For more information about JSTOR, please contact support@jstor.org.

improvement of the condition of her peoples will not be brought about by forcing America to the same condition.

Foreign trade has been emphasized to such a degree of late that thought of business revival is largely in terms of exports and foreign financing. If it were necessary for the people of the United States to await the rehabilitation of Europe before they could enjoy a fuller measure of prosperity, they might have to wait a very long time. Just how long, no one knows! Such a prospect is far from comforting at a time when gloom enough engulfs American business. It was in the hope that a shift of emphasis from foreign to domestic trade would carry

a message of encouragement, that this paper was prepared. An American perspective shows that measures at home can and should be taken. There need be no paralysis of action with the world's greatest domestic market at hand and controllable. To emphasize this point, an exaggerated statement might almost be risked, that if we take care of our ninety-two or ninety-three per cent of domestic business, the seven per cent of foreign business will take care of itself.

This is calculated to be a message of comfort and cheer to all who have not lost the power of self-help. What is needed is courage, straight thinking, the restoration of a sound moral code, —but above all, *action*.

American Trends in Foreign Trade

By F. E. ST. AUSTELL

Continental and Commercial National Bank, Chicago

THE United States is facing extraordinary conditions with respect to foreign trade and finance, but beneath these extraordinary conditions may be seen indications of the working of natural tendencies. Foreign trade cannot indefinitely remain abnormal.

When a movement to "capture" foreign markets was started, there were a few maligned authorities who advised caution, a policy of careful progress rather than hasty plunging into the intricacies of foreign trade by those who were not sufficiently equipped with practical knowledge of the conduct of that trade. British and European papers did not scoff at American efforts to capture markets. Many of them, however, did point out that the United States would show wisdom in adhering to the development of foreign commerce along lines

with which it was familiar. The history of England's overseas commerce proves that foreign trade is of slow and tedious growth, not springing overnight into full bloom as many American merchants and manufacturers apparently expected.

The foreign trade of the United States during the years of the war, and in fact until the latter part of 1919, was not dependent on real trading or salesmanship. Goods were asked for and supplied, the main object being the satisfaction of demands as quickly as possible. Such trading is not normal.

Indirect or triangular trading, if it comes at all, is likely to be of long and slow development. The trend of foreign trade of the United States has been direct. English shipping has a large proportion devoted to "tramp trading," a proportion estimated at more than fifty per cent of its mercan-

tile marine. British tramp steamers seek trade and in the search are not confined to definite routes. Hence it is common to find goods bought by British merchants, say in the Baltic ports, with the proceeds of goods bought in the United States. British ships carry nitrates from Chile to a point where they are needed and then load up again with goods needed elsewhere. Barter, buying goods with goods, is still an essential of foreign trade, but the United States has hitherto confined itself to direct trade and wherever possible, direct payment. Necessity alone is likely to modify this trade habit.

The necessity which will make such modifications will come of a congested population on the seaboard and the consequent turning of attention away from the still undeveloped resources of the interior and the opportunities for business afforded there, to opportunities for trade in foreign lands. Such a change would be difficult of full accomplishment without a change in government policies—such as free trade or very much lower tariff duties, the establishment of free ports, and, generally, a policy of what is commonly known as economic imperialism.

NATURAL TRENDS OF FOREIGN TRADE

As it has been well said, "The United States can export goods in the production of which it has the greatest comparative advantages, due to climate, natural resources and the genius of the American people for organization and quantity production." This "doctrine of comparative costs," would, therefore, class as natural and desirable the export of such commodities as foodstuffs, raw materials, automobiles and accessories, machinery of all kinds, typewriters, sewing machines and many articles of quantity production.

Imports will naturally bulk in those commodities which cannot be produced in the United States because of climatic conditions. There is no domestic production of tea, coffee and cocoa. The best China clay is probably imported from England. Without the forests of Assam, many industries would be at a loss for a supply of shellac; the rubber plantations of the Dutch East Indies and Brazil are necessary to the automobile industry, and so on.

The United States has become accustomed to a favorable balance of trade entirely without precedent. However, as domestic production resumes a pre-war character, similar perhaps to that of the period 1900-1913, it seems safe to predict a return of foreign trade conditions similar to those obtaining during the same period. The favorable balance will probably be maintained for some years, but a gradual reduction of that balance until an excess of merchandise imports over merchandise exports is reached, is probable. The balance may be reduced by diminishing exports or by increasing imports or by both causes together.

A DECREASED FAVORABLE BALANCE

A swing towards alteration of the trade balance was clearly indicated during the latter half of 1919 when exports decreased and imports increased. Exports at that time were going principally to European countries and, as shown in the following table, were greatly reduced during and after July, 1919 when the peak showing a favorable trade balance of \$941,000,000 in one month was reached.

(Units of \$1,000,000)

Half-year			
1919	Exports	Imports	Balance
January-June	4,201	1,654	2,547
July-December	3,962	2,342	1,620

As already noted, in the period from July to December, 1919, the reduction of the favorable balance was due more to increased imports than to decreased exports.

The decline of exports to Europe has continued and the following table shows clearly a steady drop in the first half of 1921, even considering the drop in the price level.

in foreign trade values of more than \$3,000,000,000, both imports and exports declining. Exports decreased to the extent of one billion and a half dollars compared with the last previous fiscal year, while imports fell off in a slightly less degree, though still greater than during any year since 1917 with the exception of the fiscal year 1920. Figures from the same source show a

TOTAL VOLUME OF EXPORTS

1921	England	France	Germany	Italy	Total European Countries
January.....	\$102,351,376	\$35,825,135	\$48,862,037	\$29,356,813	\$325,530,940
February.....	86,042,893	20,432,178	36,619,713	28,198,613	241,793,255
March.....	69,623,415	19,597,301	30,502,988	16,908,314	199,222,578
April.....	74,781,288	13,581,753	19,143,211	13,634,101	174,645,581
May.....	71,340,509	9,862,731	20,481,412	22,555,727	176,822,795
June.....	52,072,939	12,675,598	30,795,515	22,742,637	173,252,536

That the steady falling off in value of exports to all countries which was indicated in the latter part of 1919 has continued during 1920 and the first six months of 1921, is evidenced by the following table:

TOTAL EXPORTS OF MERCHANDISE BY MONTHS

	1920	1921
January.....	\$722,063,790	\$654,271,423
February.....	645,145,225	486,281,597
March.....	819,556,037	386,680,346
April.....	684,319,392	340,338,729
May.....	745,523,223	329,746,379
June.....	629,376,757	340,000,000
July.....	651,136,478	
August.....	578,182,691	
September....	604,686,259	
October.....	751,211,370	
November....	676,706,011	
December....	720,852,515	

Figures issued by the Department of Commerce covering the fiscal year ending June, 1921, indicate a falling off

slight increase in exports for June, 1921, the first increase noted since December, 1920. The June total of \$340,000,000 exports is however only about half of the value of exports recorded for June, 1920. The difference is mainly accounted for by reduction of prices rather than quantities.

WHAT AMERICA ACTUALLY EXPORTS AND IMPORTS

In connection with the question of exports, a few facts are significant. It has been customary to refer in somewhat vague terms to exports. Statistics show at a glance relative values that are often beclouded in generalities. "Exports" mean particularly those exports shown in the table following. They have been the most important exports year after year. And, parenthetically it may be noted, that according to careful estimates the export trade of the United States represents

at most not over ten per cent of the total volume of sales; from six to eight per cent is probably a more accurate measure.

products are needed throughout the world. The United States can assist in supplying that need. Cotton can be produced in quantities for export

RATIO OF EXPORTS OF SELECTED COMMODITIES TO THE TOTAL MERCHANDISE EXPORTS OF THE UNITED STATES (BASED ON VALUES) DURING THE PERIOD 1913-1920

Calendar Year	Cotton			Manufactures Iron and Steel %	Bread-stuffs %	Meat and Dairy Products %	Mineral Oil %
	Raw %	Manufactured %	Total %				
1913.....	23.1	2.2	25.3	5.1	7.1	5.8	5.0
1914.....	16.2	2.3	18.5	9.4	14.6	6.6	6.6
1915.....	11.7	1.6	13.3	10.9	14.8	7.8	4.0
1916.....	9.9	2.3	12.2	15.8	8.6	5.7	3.6
1917.....	9.2	2.5	11.7	19.9	10.1	7.0	4.0
1918.....	10.9	2.9	13.8	16.8	13.0	15.3	5.5
1919.....	14.3	3.4	17.7	12.2	11.6	14.6	4.3
1920.....	13.8	4.8	18.6	13.5	13.1	6.6	6.6
Average 1914-1920.....			15.1	14.1	12.2	7.6	4.9

The following table gives the same ratios for the period from January to June, 1921:

and many parts of the world need that cotton. The articles referred to represent sixty per cent of the exports

Cotton			Manufactures Iron and Steel %	Bread-stuffs %	Meat and Dairy Products %	Mineral Oil %
Raw %	Manufactured %	Total %				
8.4	2.4	10.8	18.1	14.5	7.4	9.4

The United States is blessed with boundless acres which can produce grain under conditions that leave an exportable surplus. Many European countries may produce more wheat per acre, but they have not the acres to compete with American production. The American genius for organization renders it possible to export manufactures of iron and steel to advantage, also mineral oils. Meats and dairy

of the United States and there appears every probability that they will continue to do so.

It may be asked what will the United States take in return for these and other exports. The United States produces neither tea, coffee nor cocoa. It will therefore send to Brazil and other coffee-producing countries such goods as those countries can absorb in exchange for coffee. The same applies

to tea and cocoa. The United States produces great quantities of hides and skins, but not enough. These commodities will therefore be imported in the required quantities. The plantations of the Dutch East Indies and Brazil will continue to supply rubber. India will be called upon for jute, shellac and its quota of hides and skins. The United States needs hemp and sisal. These may be regarded as natural imports. Silk and sugar are among the important articles, imports of which show considerable increase from the latter part of 1919. What the United States particularly needs is shown in the table below. The imports which show an increase are not European, but come from Latin America and the Orient.

TRADE OPPORTUNITIES IN NON-EUROPEAN MARKETS

Since the United States has increased imports from non-European markets, it is well to consider what the export trade of the United States has been with all markets other than those of Europe during the period from 1914 to June, 1921. The table on page fourteen indicates the trend of export trade for the period referred to with Canada, Australia, China, India, Japan, Brazil, Argentine, Chile, and the total of exports to South American countries.

Exports to Canada show a steady increase year by year with the exception of 1919. The year 1920 again shows a healthy increase, while the returns for the first six months of 1921 seem to in-

Articles	Unit (Millions)	1917	1918	1919	Increase in 1919 over 1918
Hides and Skins	lbs.	631	362	745	383
Coffee	lbs.	1,287	1,052	1,334	282
Cane Sugar	lbs.	4,941	5,167	7,020	1,853
Raw Silk	lbs.	37	33	45	12
Crude Rubber	lbs.	406	326	536	210

What will this country take from Europe? That is a matter difficult to decide under existing conditions, but indications point to the fact that Europe must in the long run be regarded as a competitor. Woolen goods of high quality will be imported, but probably not the cheaper grades. Fine cottons, quality goods which may be sold here at high prices and which are not produced here, will naturally be welcomed. Plushes, velvets, gloves, cosmetics, may also be added to the list, but an habitual and probably natural desire to restrict the influx of directly competitive goods is already apparent.

indicate that the final figures for the year will be nearer those of 1916 than those of 1917, 1918 and 1919.

The dislocation of commerce is perhaps nowhere more manifest or brought nearer home than in the present relations between Canada and the United States. Canada finds itself in the unfortunate position of having to buy for cash and sell to her British and European customers on credit, or not sell; it also suffers from its inability to return to a gold basis. The Dominion is practically on a paper basis and when Canadian funds are quoted at a discount of twelve per cent the onus of the discount may be placed about as

follows: seven per cent is due to being on a paper basis and five per cent due to adverse trade balance. A return to normal conditions will find Canada still high on the list of United States foreign customers, and it is to be hoped that external capital will flow into Canada to help development of resources as was the case in the earlier days in the United States.

Exports to Australia have not shown a backward trend since 1914. During the year 1919 Australia took from the United States goods to the value of over ninety-five millions of dollars and increased that amount in 1920 to nearly one hundred and twenty millions. The figures for the first six months of 1921 indicate that exports to the value of more than fifty-one million dollars have been shipped from the United States to Australia. Australia, in fact Australasia, is growing nearer in terms of distance because of quickening connections, and that it is growing nearer in business sympathy is indicated by the vastly increasing inquiries and the number of business men from the Commonwealth visiting this country.

From China come appeals for goods of all kinds. The great need of China today is increased transportation facilities. She is importing great quantities of machinery, especially agricultural, milling and mining machinery. Development of the resources of the mighty republic will naturally lead to increased commerce with the United States. Trade with China is comparatively new to the United States, but statistics show a growth in value of exports from forty-five million dollars in 1914 to nearly one hundred and forty-six millions in 1920. China is endeavoring to change its status and become an industrial nation. The process will be interesting to American manufacturers.

There appears to be a widespread

EXPORTS OF DOMESTIC AND FOREIGN MERCHANDISE BY COUNTRIES DURING THE PERIOD 1914 TO JULY, 1921

Calendar year	1914	1915	1916	1917	1918	1919	1920	1921 Jan.-June
Canada.....	\$310,616,232	\$345,045,836	\$604,908,190	\$828,919,971	\$886,877,584	\$734,244,319	\$971,854,093	\$247,183,248
Australia.....	45,024,718	52,335,439	64,334,921	58,967,578	79,549,198	95,085,059	119,912,558	51,672,045
China.....	20,367,701	19,748,283	31,516,140	40,292,059	52,958,520	105,539,583	145,736,732	51,712,408
India.....	10,378,806	15,709,580	23,891,754	33,599,396	40,392,458	67,505,528	99,857,517	33,097,722
Japan.....	41,750,979	45,731,903	109,156,490	186,340,304	273,774,685	366,364,403	377,961,896	85,692,843
Brazil.....	23,275,894	33,952,551	47,669,050	66,157,952	57,391,417	114,696,309	156,740,365	35,147,825
Argentina.....	27,127,958	52,840,965	76,874,258	107,098,895	105,104,548	155,899,390	213,725,984	67,876,352
Chile.....	13,627,618	17,816,114	33,392,887	57,549,304	66,404,300	53,121,087	55,310,465	17,806,494
Total South America.....	91,013,339	144,128,681	20,266,818	311,893,023	302,709,610	441,747,728	623,910,163	167,615,000

idea that British goods and British institutions have such a hold on India that American competition is almost impossible. That is not true. India is apparently a seething, kaleidoscopic mass of unrest, but beneath that unrest there is a very real spirit of progress. Trade bureaus and commercial associations daily receive large numbers of inquiries from India showing a desire to purchase iron and steel, hardware, machinery, paper, machine tools, office supplies, agricultural implements, safes, wire fencing and numerous other articles. In 1914 this country sent goods only to the value of nearly ten and a half million dollars to India. But the volume of exports has steadily increased, doubling by 1916, and reaching the total of over ninety-nine millions in 1920. India will well repay study. It is a land of great commercial promise.

Turning from India to Brazil, we find a steady growth of trade during 1914, 1915, 1916 and 1917, and an abnormal doubling of values during 1919 and 1920. Coming down to date, it will be seen that exports to Brazil for the first six months of 1921 are stated at just over thirty-five millions, indicating a return to more normal values.

The same trade trend is found in the case of Argentina. The growth of exports is apparent in 1914, 1915, 1916 and 1917. The increase in 1918, 1919 and 1920 is striking, but the first six months of 1921 show the same trend that is indicated in exports to Brazil.

Returns showing the value of exports to Japan are equally interesting. The abnormal increase in the period from 1916 to 1920 is again evident, while, like those of Argentina and Brazil, the figures for the first six months of 1921 reflect the universal drop in values.

FUTURE TRADE TRENDS ONLY PARTLY PREDICTABLE

To sum up, it would appear that non-European countries may offer more favorable opportunities for trading than are presented by European countries, a situation that was developing during the period 1900-1913. As before the war, cotton, breadstuffs, manufactures of iron and steel, meat and dairy products and mineral oils will continue to occupy the prominent places in lists of exports. There may be an exclusion of many commodities that swelled the total during the abnormal war period.

The downward trend of exports, clearly indicated in the latter half of 1919, was long ignored by many exporters, and it was hard to drive home the conviction that exports on such a vast scale as they had become accustomed to during the period of war could not be continued indefinitely. The favorable balance running into billions apparently conveyed no warning. American manufacturers were urged to capture the world's markets and a mighty commercial war was predicted, a fight for supremacy in the world's market. So far as the United States is concerned, it is probable that such fight as is necessary will be centered in non-European countries, in markets that are susceptible of development.

Predictions as to what the export trade of the United States will, or should be, are rendered doubly difficult by the presence of many unpredictable factors. Political stability in Europe, a return to sound monetary standards, tariffs, a more even distribution of the gold which is now held by the United States, are such factors, and while these are more or less subject to conjecture, a return to foreign trade controlled by natural tendencies can be hoped for, but not definitely foreseen.